

STATE PROPERTIES COMMITTEE MEETING

TUESDAY, NOVEMBER 27, 2007

The meeting of the State Properties Committee was called to order at 10:07 a.m. by Chairman Kevin M. Flynn. Other members present were Robert Griffith representing the Rhode Island Department of Administration; Richard Woolley representing the Rhode Island Department of Attorney General; Robert W. Kay and John A. Pagliarini, Jr., Public Members and Xaykham Khamsyvoravong representing the Rhode Island Office of the General Treasurer, Ex-officio Member. Others in attendance were Anthony Paolantonio from the Rhode Island House of Representatives; Robert C. Bromley from the Rhode Island Senate Fiscal Office; Paul Carcieri, Maureen McMahon and William McCarthy from the Rhode Island Department of Transportation; Lisa Primiano and Mary E. Kay from the Rhode Island Department of Environmental Management; Rosemary Booth Gallogly and John Ryan from the Rhode Island Department of Administration; Robert Kando and Robert Rapoza from the Rhode Island Board of Elections; Normand Benoit from the Rhode Island Bond Council; and Steve Maceroni from First Southwest.

Chairman Flynn noted for the record that the State Properties Committee did have a quorum present.

The next scheduled meeting of the State Properties Committee will be held on

Tuesday, December 11, 2007, at 10:00 a.m.

A motion was made to approve the regular minutes of the State Properties

Committee meeting held on Tuesday, October 30, 2007, as amended, by Mr. Pagliarini

and seconded by Mr. Kay.

Passed Unanimously

A motion was made to approve the regular minutes of the State Properties

Committee meeting held on Tuesday, November 13, 2007, as amended, by Mr. Pagliarini

and seconded by Mr. Kay.

Passed Unanimously

A motion was made to approve the Executive Session minutes of the State

**Properties Committee meeting held on Tuesday, November 13, 2007,
by Mr. Griffith and**

seconded by Mr. Pagliarini.

Passed Unanimously

ITEM A – Department of Administration – A request was made for approval of four financing Leases and Subleases by and between the State of Rhode Island and Wells Fargo, N.A. Ms. Gallogly explained that the Department of Transportation has been working diligently with regard to the refunding process. Ms. Gallogly noted that the market has been changed quite a bit as of last night, due to the relationship with United States Treasuries where the Department of Administration invests the funds from the proceeds in order to satisfy the old bonds. Ms. Gallogly indicated that at this time, the State of Rhode Island could save as much as \$2.4 million dollars; although, she advised the Committee that the market could reverse just as quickly. Ms. Gallogly indicated that the Department of Administration remains at its target threshold, which is to obtain three (3%) percent present value savings as a result of the refunding. Ms. Gallogly advised that the Department of Administration only issues a lease

participation refunding certificate if the State of Rhode Island will realize a significant savings as a result of this process. Ms. Gallogly indicated that the official statement has been released to the potential investors and the Department of Administration anticipates it could price as soon as Wednesday, November 28, 2007. Ms. Gallogly indicated that other than the lease arrangements the current leases remain essentially the same. Chairman Flynn asked if the Committee members had all received a copy of the Resolution of the State Properties Committee. The Committee indicated it had received the same. A motion was made to approve by Mr. Griffith and seconded by Mr. Kay.

Passed Unanimously

ITEM B – Department of Transportation/Rhode Island Airport Corporation – This item was deferred to the next meeting of the State Properties Committee scheduled for December 11, 2007, at the request of the Department of Transportation.

ITEM C – Department of Transportation – A request was made for review and approval of the Request for Proposals relative to the sale of 32,200± square feet of land located on Spruce Street in the City of Providence. Mr. Carcieri indicated that in June 2007, the Department of Transportation appeared before the State Properties Committee seeking approval to convey the subject property. Mr. Carcieri explained that at that time, it was the pleasure of the State Properties Committee and the Department of Transportation's to draft a Request for Proposals to sell the subject property via a public process. Mr. Carcieri stated that he forwarded a copy of the Request for Proposals

to the Committee members together with the presentation memorandum. Mr. Carcieri advised the Committee that both the Request for Proposals and the presentation memorandum have been revised. Said revision concerns Special Condition No. 14 located on Page 7. Mr. Carcieri explained that in order to ensure that the highest and best offer is the successful candidate, subject to said offer meeting the terms and conditions contained in the Request for Proposals, the Department of Transportation has amended Section 14 to make emphatic that while public parking would be a desirable component of any response, the property will be sold on a monetary basis. The subject property consists of approximately 32,200 square feet of vacant land, which is located adjacent to Spruce Street in the City of Providence. Mr. Carcieri indicated that the Request for Proposals has been updated according to time and circumstance. The Department of Transportation expects to issue the Request for Proposals by early 2008. Mr. Pagliarini asked Mr. Carcieri to clarify the revision to the condition concerning public parking, as it is his understanding that Mr. Della of the City of Providence had recommended that the State Properties Committee support a condition of public parking as part of a sale of the subject property. Mr. Carcieri explained that the City of Providence's recommendation regarding public parking was never absolute. The Department of Transportation contacted the City of Providence for its input regarding the sale of the subject property, and although the City communicated that it would endorse a condition regarding public parking as a component of the sale, it never suggested that public

parking be mandatory. Mr. Pagliarini asked Mr. Carcieri if the parking component had any bearing on the appraised value of the property. Mr. Carcieri explained that the appraiser utilized the highest and best use method to determine the value of the property independent of any parking component. Mr. Woolley asked how many parking spaces are available on Spruce Street. Mr. Carcieri indicated that Spruce Street could accommodate parking for approximately twenty-five (25) vehicles. Mr. Woolley asked if said parking spaces will not be impacted by the sale of the subject property. Mr. Carcieri believes that the impact on the existing parking spaces will be minimal. A motion was made to approve by Mr. Pagliarini and seconded by Mr. Griffith.

Passed Unanimously

ITEM D – Department of Transportation – A request was made for approval of and signatures on two (2) Temporary Easement Agreements for the reconstruction of Route 5 in the City of Warwick. Ms. McMahon indicated that on November 13, 2007, the State Properties Committee granted conceptual approval of the Temporary Easement Agreements. Ms. McMahon indicated that said Agreements have been executed by the two (2) property owners and the Department of Transportation is now seeking the approval and signatures of the State Properties Committee. A motion was made to approve by Mr. Pagliarini and seconded by Mr. Woolley.

Passed Unanimously

ITEM E – Department of Transportation – A request was made for approval to offer 41,200 square feet of land located on Eaton Street in

the Town of Cumberland via a Request for Proposals. Mr. Jackson explained that on May 9, 2006, the State Properties Committee granted conceptual approval to convey the subject property. Subsequently, Rhode Island Housing expressed an interest on behalf of Blackstone Valley Community Action Program (“BVCAP”) who has investigated the feasibility of constructing affordable housing at the site. BVCAP was unable to develop a financially feasible proposal for the site; therefore, Rhode Island Housing subsequently withdrew its offer. At this time, the Department of Transportation is seeking approval to offer the subject property at public sale via a Request for Proposals. A motion was made to approve by Mr. Pagliarini and seconded by Mr. Woolley.

Passed Unanimously

ITEM F – Department of Environmental Management – A request was made for approval of and signatures on a Conservation Easement between the State of Rhode Island, acting through the Department of Environmental Management, the Town of Coventry and Gerald and Janice Neylon. A motion was made to approve by Mr. Pagliarini and seconded by Mr. Kay.

ITEM G – Department of Environmental Management – A request was made for approval of an Option to Renew in connection with O’Neil Oil Services, Inc.’s Indenture of Lease. Ms. Kay indicated that this is a request for approval of an Option to Renew an Indenture of Lease of Parcels A and B, Lots 203 and 204 in the Port of Galilee by O’Neil Oil Services, Inc. Ms. Kay explained that O’Neil Oil Services, Inc. provides fuel to the commercial fishing boats in the Port of Galilee.

The original Indenture of Lease between the Department of Environmental Management and O'Neil Oil Services Inc. was initially entered into on September 10, 1996. O'Neil Oil Services, Inc. has exercised one option to renew the Indenture of Lease. O'Neil Oil Services, Inc.'s second request to exercise the option to renew was held in abeyance at the request of the State Properties Committee until such time as a final appraisal of all State-owned rental properties in the Port of Galilee had been completed. At this time, the appraisals have been completed. The rental fee for O'Neil Oil Services, Inc. was increased from fifty (.50) cents per square foot to eighty (.80) cents per square foot, which increased the annual rental fee from \$1,814.30 to \$2,902.80. O'Neil Oil Services, Inc. is presently paying said rental fee and the Department of Environmental Management is seeking approval of the Option to Review the Indenture of Lease for an additional five (5) year term. Mr. Pagliarini asked if an appraisal of the dock space, which O'Neil Oil Services, Inc. currently rents has been recently appraised. Ms. Kay indicated that it is her understanding that the dock space is in the final phase of the appraisal process. Mr. Pagliarini questioned how the State Properties Committee could approve the Department of Environmental Management's request to renew the Indenture of Lease until such time as the value of the dock space, which is part of the leased property, has been determined. Mr. Pagliarini is reasonably sure that if the value of the land has increase by approximately thirty (30%) percent, then the value of the dock space must have increased as well. Chairman Flynn asked if the dock space is leased pursuant to a separate indenture of lease. Ms.

Kay indicated that the parcels of land and dock space are both leased pursuant to the same lease agreement. Ms. Kay indicated that rental fees are increased from time to time based upon the most recent appraisal. Therefore, when the Department of Environmental Management obtains the appraised value of the linear dock footage, the Department will return to the State Properties Committee for approval relative to said modification of the rental fee. Chairman Flynn asked when the Department of Environmental Management anticipates the appraisal of the dock space will be completed. Ms. Kay indicated that in order to make it less expensive the Division of Purchasing divided the appraisal process into three (3) phases. The appraisal process is currently in the third phase and speculates that that appraisal could be completed within the next few months. Mr. Woolley indicated that Page 5, Section 12. Option to Renew Lease of the Indenture of Lease contemplates making adjustments to the annual rental cost and the amount of insurance coverage required. Mr. Pagliarini asked whether the adjustment to the rental fee for the dock space will be retroactive to the June 1, 2007; the date the increase in the rental fee for the land became effective. Ms. Kay indicated that the Department of Environmental Management does not compel the tenants to pay the adjusted amounts retroactively. Ms. Kay explained, in detail, the three (3) phase approach to appraising state-owned land and dock space in the Port of Gallilee. Mr. Woolley indicated that pursuant to the terms and conditions of the Lease Agreement the tenant was entitled to exercise their option to renew the lease at the time of its expiration. Mr. Woolley indicated

that the tenant should not be penalized because the Department of Environmental Management has not completed the final phase of the appraisal. Chairman Flynn noted that O'Neil Oil Services, Inc. is providing an essential service to the commercial fishing industry. Mr. Pagliarini reiterated that he is not comfortable granting approval of the renewal of the Indenture of Lease until the total amount of the rental fee adjustment is determined. After further discussion concerning the request to renew the Indenture of Lease, a motion was made to approve the Option to Renew the Indenture of Lease as presented, subject to the rental increase for the dock space being determined at a later date and being paid retroactively to June 1, 2007 by Mr. Pagliarini and seconded by Mr. Woolley.

Passed Unanimously

ITEM H – Department of Environmental Management – A request for approval of and signatures on an Indenture of Lease for the residence at Perryville Hatchery in the Town of Wakefield. Ms. Kay explained that the residence is located on the site of the Perryville Fish Hatchery. Ms. Kay indicated that the State Properties Committee approved and executed an Indenture of Lease for this property in March of 2007; however, the original tenant suffered an injury and is longer able to continue as the caretaker of the Perryville Hatchery. Therefore, the Department of Environmental Management selected another employee, Jes Santos, of the Division of the Fish and Wildlife, to be the on site caretaker of said property. Andolfo Appraisal Associates conducted an appraisal of the subject property and determined its fair market value on or about June 7, 2005. Since

that time, the rental fee has increased on two occasions in accordance with the Consumer Price Index ("CPI"). Ms. Kay indicated the property will be appraised again in three years. Ms. Kay indicated that the resident employee provides surveillance, monitoring and maintenance of the property and equipment at the hatchery. Ms. Kay explained the importance of an on site employee at the hatchery and the method by which the Department selected Mr. Santos as the successful candidate. Mr. Griffith asked if the hatchery is equipped with alarm system to alert the resident employee and/or the Division of Fish and Wildlife of any malfunction of the equipment to ensure that the fish will survive. Ms. Primiano explained that there is an alarm system and the fish hatcheries are monitored very closely, as the State of Rhode Island has invested a substantial amount of money into these facilities. Mr. Pagliarini questioned the procedure by which the Department of Environmental Management calculates the appropriate amount of money to be deducted for tax purposes for these types of resident employees. After a lengthy discussion regarding the appraisal of the property, rental payments, insurance issues, income tax issues, and the terms and condition of the Indenture of Lease, a motion was made to approve, subject to the appropriate Certificate of Insurance being furnished to the State Properties Committee, by Mr. Woolley and

seconded by Mr. Griffith.

Passed Unanimously

ITEM I – Department of Environmental Management – A request was

made for approval of and signatures on a Purchase and Sale Contract for the acquisition of development rights over Dutra Farm in the Town of Jamestown. Ms. Kay explained that Dutra Farm and Neale Farm are abutting properties located in the central corridor along North Road in the Town of Jamestown. Ms. Kay indicated that the land located across North Road has also been preserved. Ms. Kay noted that the Dutra Farm has been the number one (1) priority farm for the Agricultural Land Preservation Commission for the past twenty (20) years. The Town of Jamestown recently approved a bond issue to provide its portion of the funding. The total cost of the acquisition of the development rights transaction will be \$6,261,723 of which the State Agricultural Land Preservation Land Preservation Commission will contribute \$500,000, the USDA will contribute \$2.3 million, the Nature Conservancy will contribute \$875,000 and the Town of Jamestown, The Concanicut Island Land Trust and private donors will contribute \$2,586,723. Ms. Kay indicated that approximately eighty (80) acres of land will be preserved as a result of this acquisition. The Dutra Farm is active dairy farm, which has been in the Dutra family for several generations. This acquisition will also preserve the Town of Jamestown watershed, which has been in fragile condition especially during the summer months. The Department of Environmental Management views this acquisition as a tremendous opportunity to leverage State funds and in conjunction with the acquisition of development rights over the Neale Farm will essentially preserve the entire central corridor of the Town of Jamestown. Mr. Pagliarini asked where the Department of Environmental Management obtains

title insurance. Ms. Kay indicated that in this particular case the Town of Jamestown is paying for the title insurance. However, the Department of Environmental Management solicits bids from title companies and currently has contracts with Commonwealth Land Title Insurance Company and Chicago Title Insurance Company. A motion to approve was made by Mr. Pagliarini and seconded by Mr. Griffith.

Passed Unanimously

ITEM J – Department of Environmental Management – A request was made for approval of and signatures on a Purchase and Sales Contract for the acquisition of development rights over Neale Farm in the Town of Jamestown. Ms. Kay explained that the Neale Farm is an adjacent property to the Dutra Farm consisting of approximately thirty-nine (39) acres of land. Ms. Kay illustrated the location of the Neale Farm using an aerial photograph. The total cost of the acquisition of the development rights transaction will be \$3,040,450 of which the State Agricultural Land Preservation Land Preservation Commission will contribute \$300,000, the USDA will contribute \$1.2 million, the Nature Conservancy will contribute \$875,000 and the Town of Jamestown, The Concanicut Island Land Trust and private donors will contribute the remaining balance of \$665,450.

Ms. Kay indicated that the Neale Farm is a very scenic property. Neale Farm is an active beef cattle farm. The Town of Jamestown has negotiated for a right of public access for a trail along the side on the property; however, the State of Rhode Island is not involved in that component of this transaction. The Neale Farm will close

simultaneously with the Dutra Farm property. Chairman Flynn commented that the Department of Environmental Management has done a commendable job relative to the acquisition of these properties and the leveraging of State funds. A motion was made to approve by Mr. Woolley and seconded by Mr. Pagliarini.

Passed Unanimously

ITEM K – Department of Environmental Management – This item was deferred to the next meeting of the State Properties Committee scheduled on Tuesday, December 11, 2007, at the request of the Department of Environmental Management.

ITEM L – Board of Elections – A request was made for final approval to lease additional office/storage space. Mr. Ryan explained that the Board of Elections has worked diligently to try to secure storage space. There are still outstanding issues, which need to be addressed before the documents will be ready for final approval and execution. However, because most of the documents are in order, the Board of Elections would like to seek the State Properties Committee's conceptual approval of the lease agreement so that the landlord will begin to prepare the premises for the January 1, 2008, occupancy date. Mr. Kando explained that the Board of Elections received two bids in response to its Request for Proposals. Both bids were for the amount of \$5,000. The Board of Elections does not have adequate funds to meet a \$5,000 monthly rental expense. The Board of Elections approached each of the bidders once again and asked if several of the terms and conditions of the lease were amended, could the rental expense be decreased from \$5,000 to

\$3,500. Both parties agreed to this arrangement. The Board of Election selected RAB Properties, LLC as the successful bidder. Mr. Kando reiterated that as RAB Properties would like to begin preparing the premises for occupancy, the Board of Elections is requesting conceptual of approval of the lease agreement. As the item was placed on the agenda as a request for “final approval” of the lease agreement, Chairman Flynn asked Mr. Woolley for guidance relative to proper procedure and the Open Meetings Act. Mr. Woolley indicated that as the Board of Elections requested final approval and is now seeking conceptual approval, he is comfortable that the State Properties Committee is not violating any procedural requirements or the Open Meetings Act by voting relative to conceptual approval of the Lease Agreement. Chairman Flynn asked why RAB Properties, LLC was selected rather than the other bidder. Mr. Kando indicated RAB Properties, LLC’s property was selected because of its close proximity to the Board of Elections location and because it is a more secure facility. A motion was made to approve by Mr. Pagliarini and seconded by Mr. Woolley.

Passed Unanimously

There being no further business to come before the State Properties Committee, the meeting was adjourned at 11:10 a.m. A motion was made to adjourn by Mr. Griffith and seconded by Mr. Kay.

Passed Unanimously

Holly H. Rhodes, Executive Secretary